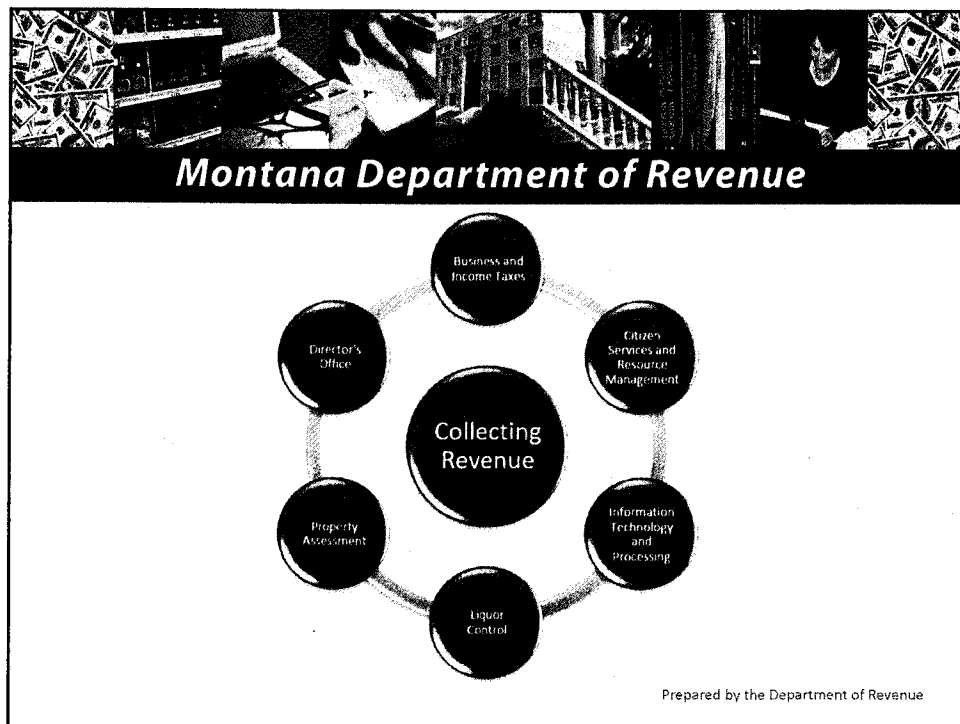



Montana Department of Revenue

Budget Presentation

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Montana Department of Revenue

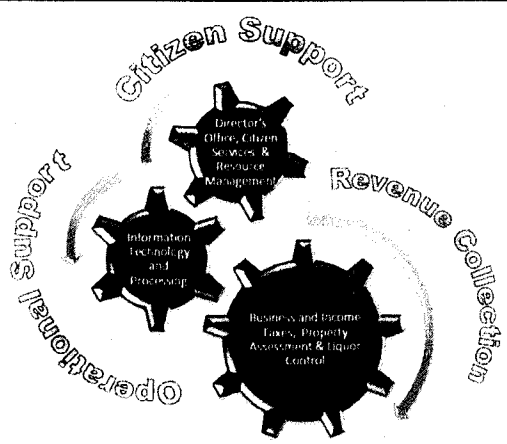
Unitary Business:
One Program of Interrelated Parts

- Collects revenue by supporting voluntary compliance and actively securing compliance
- Reinforced by deterrent effect

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Montana Department of Revenue



The diagram illustrates the interrelated parts of the Montana Department of Revenue. It features three interlocking gears. The top gear is labeled "Director's Office, Citizen Services & Revenue Management". The bottom-left gear is labeled "Information Technology and Processing". The bottom-right gear is labeled "Business and Income Taxes, Property Assessment & Liquor Control". Three curved arrows surround the gears, indicating a cyclical relationship: "Citizen Support" (top), "Revenue Collection" (right), and "Operational Support" (left).

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Montana Department of Revenue

Mission Statement

The quality of life for all Montanans is better because we excel at public service and effective administration of the tax and liquor laws of Montana. We do this by:

- Ensuring that revenues intended by the legislature to be raised are collected to serve Montanans,
- Advancing equity and integrity in taxation,
- Providing innovative and respectful service,
- Protecting the public health and safety, and achieving efficiency in liquor administration, and
- Improving public understanding of Montana's revenue system.

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Montana Department of Revenue

Core Values

Our core values are rooted in the Montana Constitution and in fundamental values proven by human experience to lead an organization or community forward in a continuous positive manner. These core values include the following:

- Respect for All Persons
- Integrity and Justice
- Productivity and Effectiveness
- Teamwork and Community

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Mutually-Supportive Major Outcomes

- Revenue for state and local governments and school districts
- Equity and fairness for taxpayers
- Public health and safety through liquor control
- Abandoned property returned to rightful owners

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Summary of Revenue – FY2010

	State	Schools/Local Government	Total
Individual Income Tax	\$717,834,371	\$0	\$717,834,371
Corporation License Tax	\$87,906,411	\$0	\$87,906,411
Natural Resources Taxes	\$162,489,015	\$124,347,197	\$286,836,212
Other Taxes, Licenses and Services	\$229,916,727	\$0	\$229,916,727
Liquor Taxes, Profits, and Licenses	\$37,519,372	\$0	\$37,519,372
Property Tax	<u>\$237,345,120</u>	<u>\$1,011,183,063</u>	<u>\$1,248,528,183</u>
Total Revenue	\$1,473,011,016	\$1,135,530,260	\$2,608,541,276

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Montana Department of Revenue

Overall, Long-Term Society Benefits

- Respect for and integrity of the law and respect for our system of government
- Fairness in taxation
- More policy choices for Montanans and their legislature
- A stronger, growing economy

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Montana Department of Revenue

High Points of Efficiency and Effectiveness

- \$2.61 billion in state and local revenues at a cost of less than 2% of revenues
- Rapid tax refunds and easier electronic filing options for accuracy and efficiency
- Record compliance collections in total dollars and rate of return (efficiency)
- Reappraisal met accuracy and uniformity targets effectively with a record level of staff efficiency
- Liquor operating costs as a percent of sales declined over last six years

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Whom Do We Serve?

- Every Montana citizen and business and non-resident taxpayers

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Montana Department of Revenue

Source of Authority

- Montana Constitution
- State revenue and liquor laws

Is the Revenue Program Necessary?

- No government operates without revenue and a revenue agency
- All states and most nations regulate liquor

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Montana Department of Revenue

5% Budget Reduction

- \$5 million of expenditure cut from the Department of Revenue will reduce revenues by a minimum of \$30 million in the 2013 biennium.
- If not taken evenly across the department, the revenues will be cut by more.

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Montana Department of Revenue

Importance of Compliance Activity

- When several other state revenue agency budgets were increased, revenues in those states increased by a multiple of 5.8 to 14.7 times the increase in expenditures.
- In contrast, when legislatures in other states cut their state revenue agency budgets, revenues in those states declined by 5 to 15.4 times the expenditure cuts—resulting in a negative impact on the fiscal health of those states.

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Montana Department of Revenue

Who Wins from 5% Reduction

- Non-filers
- Under-reporting taxpayers
- Delinquent taxpayers
- Owners of new construction

Who Loses from 5% Reduction

- Large majority of Montana taxpayers who pay the right amount of taxes on time
- Owners of existing property
- Local governments and school districts
- Public that benefits from the \$30 million in added cuts

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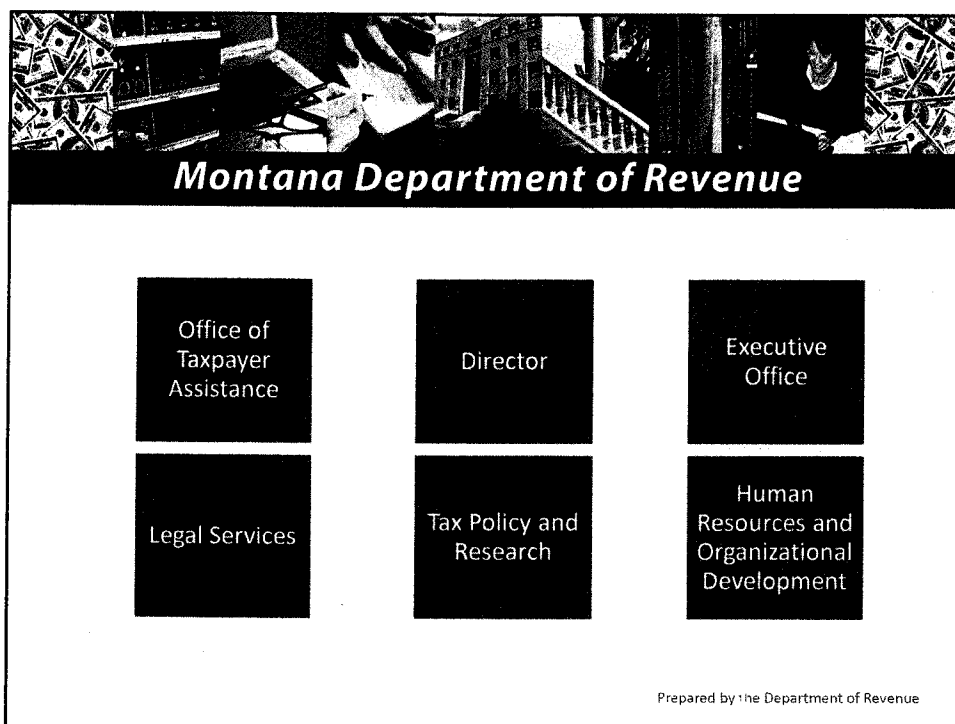


Montana Department of Revenue

Impact of Cutting Tax Compliance

- Cutting tax compliance is bad public policy that favors those who do not follow or respect the law over those who do.
- It favors the businesses that cut corners to write themselves an unauthorized tax subsidy over those businesses who carefully and diligently pay the right amount of taxes.

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Montana Department of Revenue

DP 101

Number of Fiscal Notes During 2009 Session	201
Estimated Number of Hours to Complete Fiscal Note	27
Total Number of Hours Required to Complete Fiscal Notes	5,427
Number of Weeks in a Legislative Session	16
Regular Work Week Per Employee	40
Number Regular Hours Work During Session	640
Number of Economist In Tax Policy and Research	6
TPR's Total Hours of Regular Work During Session	3,840
Difference Between Regular Hours and Time Needed to Complete Fiscal Notes	1,587
Cost of Fiscal Note Work Above Regular Work Load	\$ 57,536.69
Number of Information Requests for TPR During Session	95
Average Number of Hours to Complete an Information Request	4
Estimated Total Time Spent on Information Requests	380
Hours Spent Staffing Select Committee on Reappraisal	Unknown

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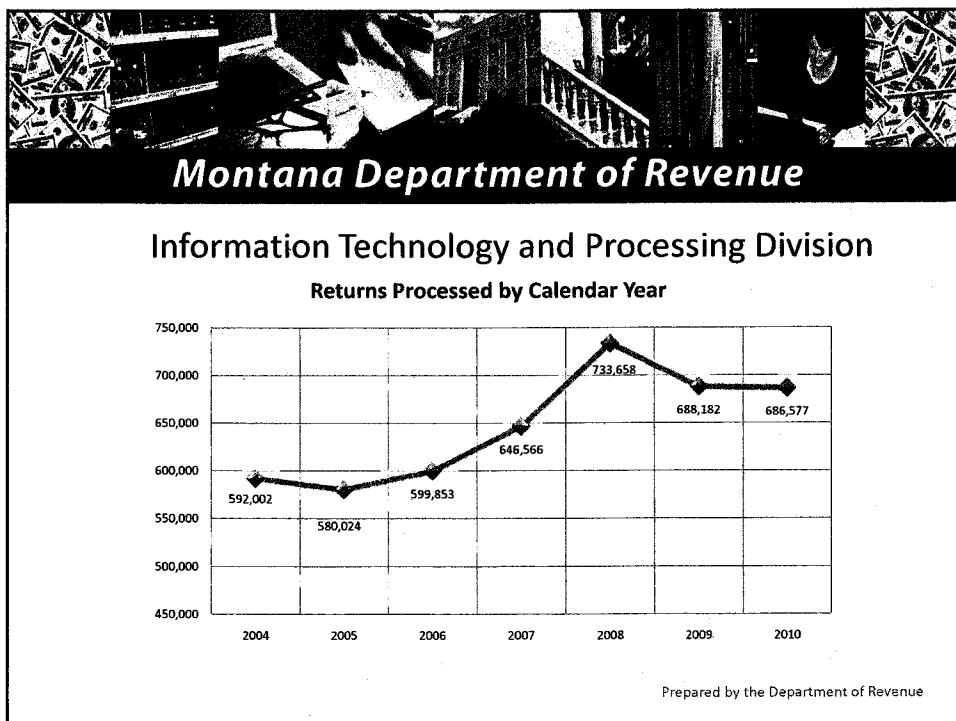
Montana Department of Revenue

Information Technology and Processing Division

Processing and
Retention Operations
Bureau

Information
Technology
Bureau

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Montana Department of Revenue

Improved Ease and Convenience

We have improved the ease and convenience of taxpayers and practitioners through:

- Participating with the IRS on the Joint Fed/State electronic file process for small businesses and individuals to file their federal and state tax returns simultaneously through approved software vendors
- Being among the first 10 states to be ready with the IRS for the Individual Income Tax Modernized Electronic Filing process
- Continuing to expand and upgrade our free direct web filing product Taxpayer Access Point, which now provides the ability for taxpayers and practitioners to file, pay and manage their accounts online for more than 40 taxes, licenses and fees

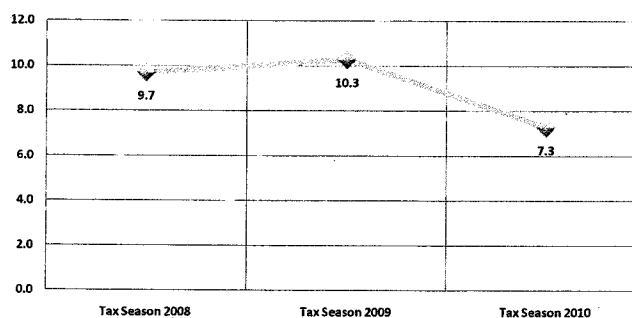
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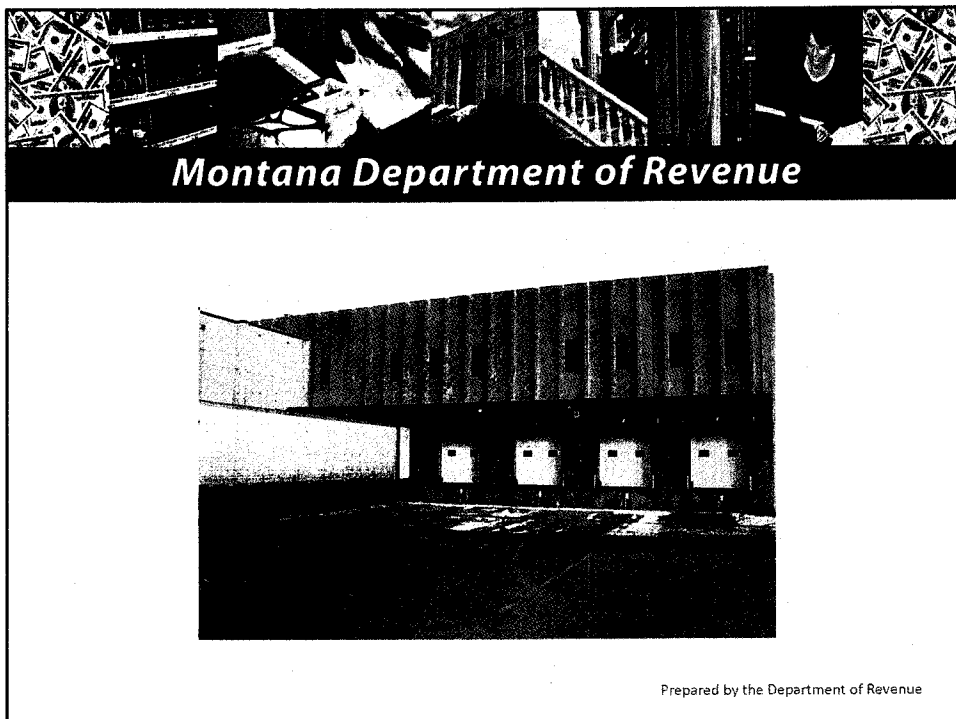
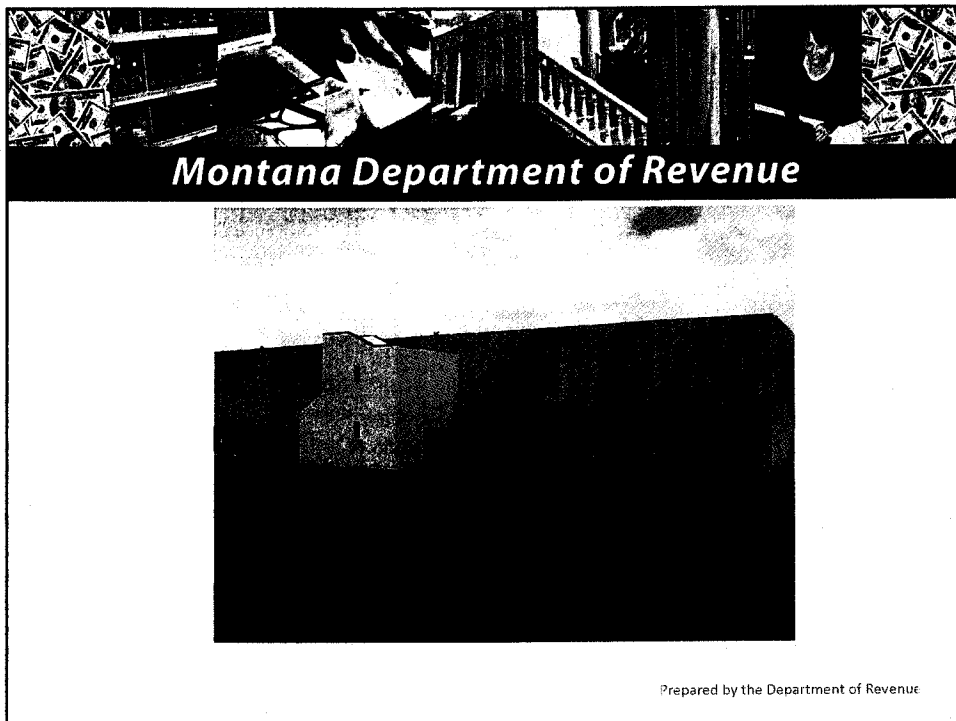
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Information Technology and Processing Division

Average Days to Process a Refund



Prepared by the Department of Revenue





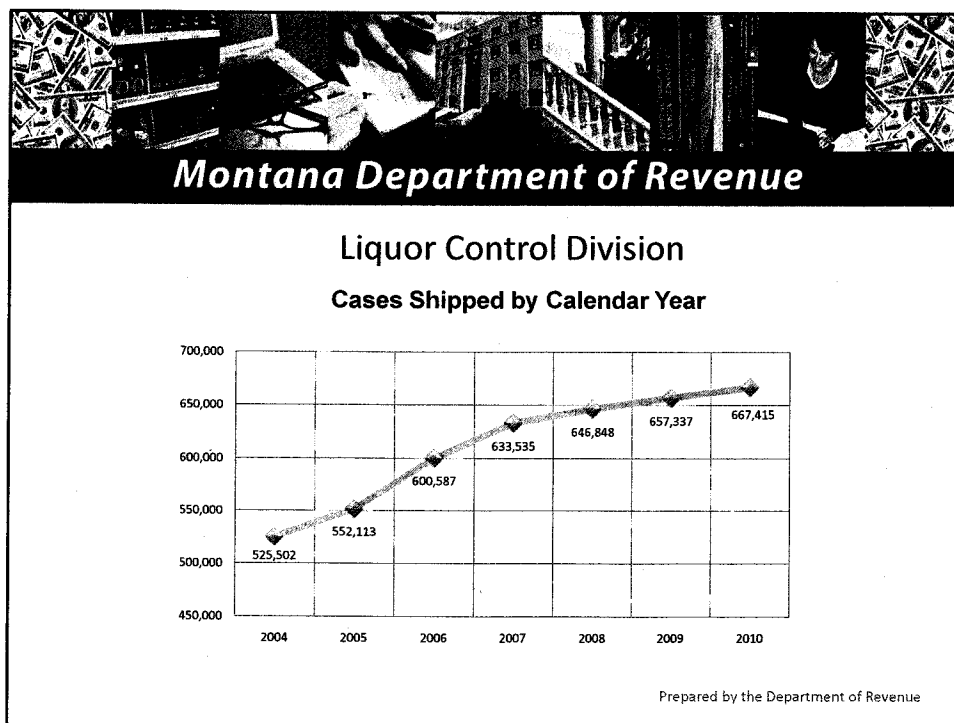
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Liquor Control Division

Liquor Licensing
Bureau

Liquor Distribution
Bureau

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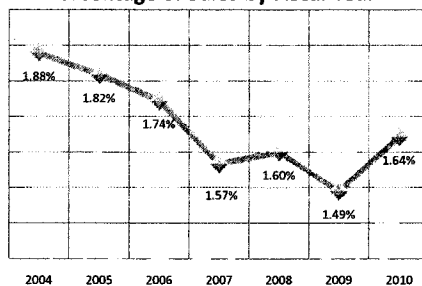




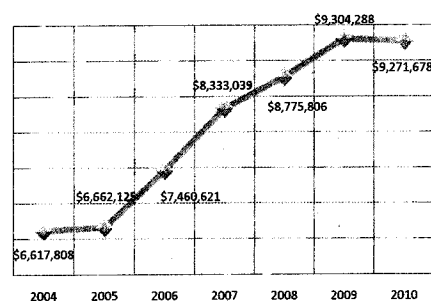
Montana Department of Revenue

Liquor Control Division

Central Liquor Operating Costs as
Percentage of Sales by Fiscal Year



Liquor Profits by Fiscal Year



Prepared by the Department of Revenue



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Liquor Control Division

Distribution Operations

Fiscal Year	Operating Costs	Liquor Net Profits	Liquor Sales
2004	\$1,331,391	\$6,617,808	\$70,827,539
2005	\$1,376,294	\$6,662,125	\$75,686,673
2006	\$1,464,299	\$7,460,621	\$83,916,488
2007	\$1,445,840	\$8,333,039	\$92,301,388
2008	\$1,578,194	\$8,775,806	\$98,594,652
2009	\$1,525,151	\$9,304,288	\$102,341,719
2010	\$1,687,744	\$9,271,678	\$102,734,387

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Citizen Services and Resource Management Division

Financial and Asset Management Bureau

- Accounting
- Purchasing
- Statewide Facilities
- Safety and Security

Citizen Services Bureau

- Call Center
- Forms Design
- One-Stop Licensing
- Abandoned Property

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Montana Department of Revenue


Citizen Services and Resource Management Division

We ensure revenues are distributed properly to the state general fund, special revenue funds, proprietary funds, debt service funds, permanent trust funds, local governments and Indian tribal governments.

Fiscal Year 2010

- Accounted for 32 different tax types, licenses and fees totaling \$1,480,745,680 in revenues.
- Accrued \$144.6 million in revenues for 26 different tax types during the June fiscal year end closing period. Our estimates were within .9% of actual revenues collected.
- Processed and distributed \$97.1 million in quarterly combined oil and natural gas production taxes to cities and counties.
- Processed and distributed \$4.8 million in quarterly entitlement share payments to 54 counties, 2 consolidated governments and 100+ cities and towns.
- Distributed more than \$800,000 in Urban Tax Increment Financing District payments to 4 cities and 2 consolidated governments.
- Distributed nearly \$960,000 in bentonite tax payments to Carter and Carbon counties.
- Processed and distributed \$4.6 million in quarterly cigarette, tobacco and alcohol taxes to Indian tribal governments through revenue sharing agreements.


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Montana Department of Revenue

Call Center


(866) 859-2254 toll free
(406) 444-6900 in Helena



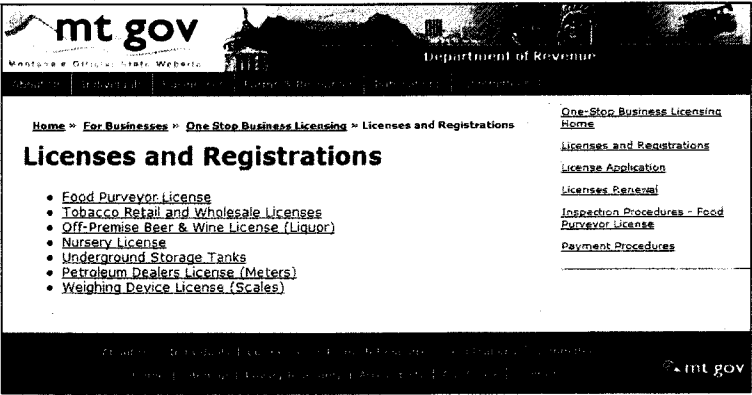
Fiscal Year 2010

- Calls answered the last week of the income tax filing season (April 15) – 5,292
- Calls answered during income tax season (January - April) – 58,344
- Calls answered fiscal year 2010 (July 2009 - June 2010) – 127,737

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Montana Department of Revenue



The screenshot shows the Montana Department of Revenue website. The header includes the 'mt gov' logo and 'Department of Revenue'. The main content area is titled 'Licenses and Registrations' and lists various license types such as Food Purveyor License, Tobacco Retail and Wholesale Licenses, Off-Premise Beer & Wine License (Liquor), Nursery License, Underground Storage Tanks, Petroleum Dealers License (Meters), and Weighing Device License (Scales). There are also links for 'One-Stop Business Licensing Home', 'Licenses and Registrations', 'License Application', 'Licenses Renewal', 'Inspection Procedures - Food Purveyor License', and 'Payment Procedures'.

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Business and Income Taxes Division

Income and
Withholding Tax
Bureau

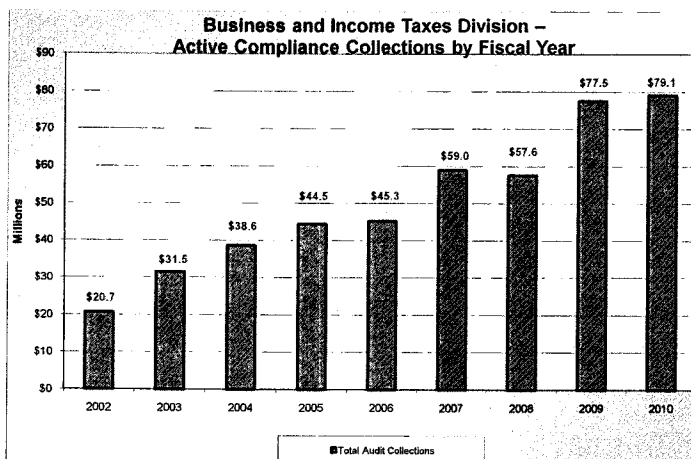
Accounts
Receivable and
Collections
Bureau

Business Tax and
Valuation
Bureau

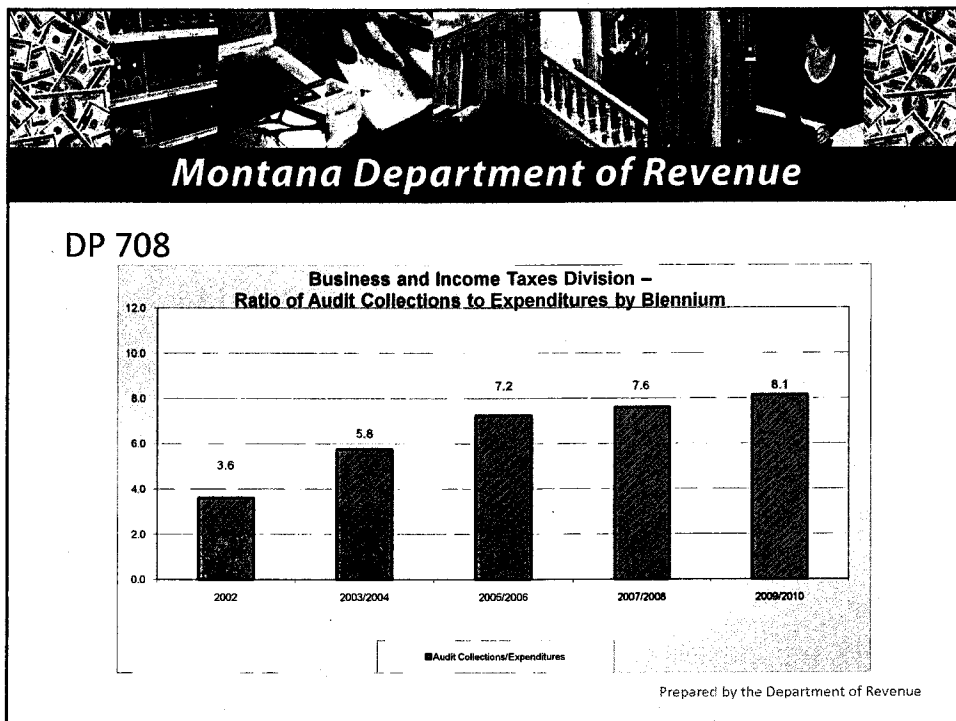
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**Business and Income Taxes Division –
Active Compliance Collections by Fiscal Year**



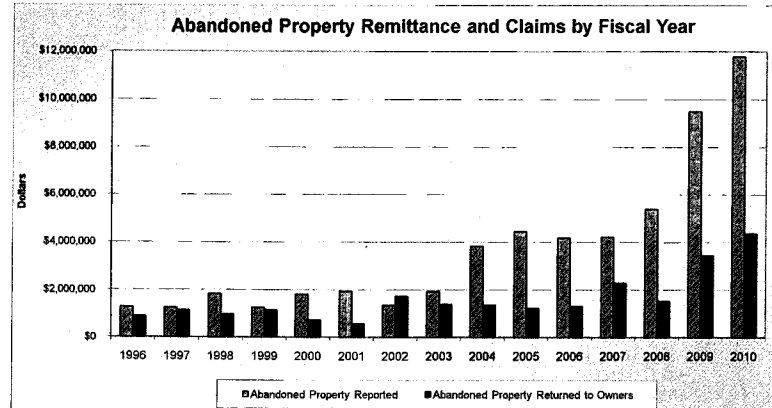
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-
- Montana Department of Revenue**
- DP 708**
- Expenditures proposed in 2013 biennium – \$1 million
 - Revenue projected in 2013 biennium – \$5 million
 - Ratio of revenue to expenditures expected to rise in future biennia
- Prepared by the Department of Revenue



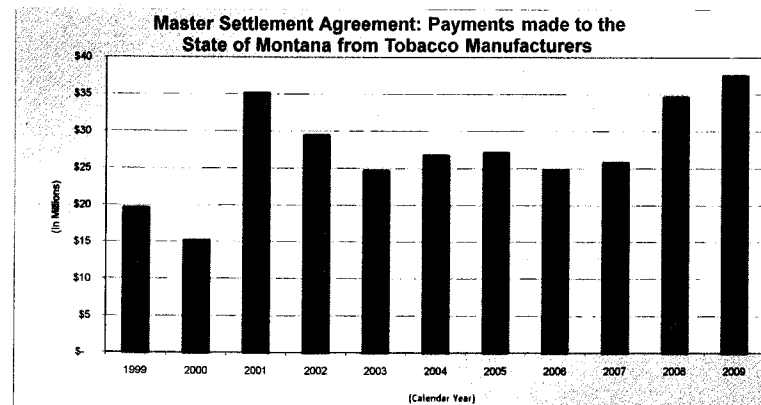
DP 706



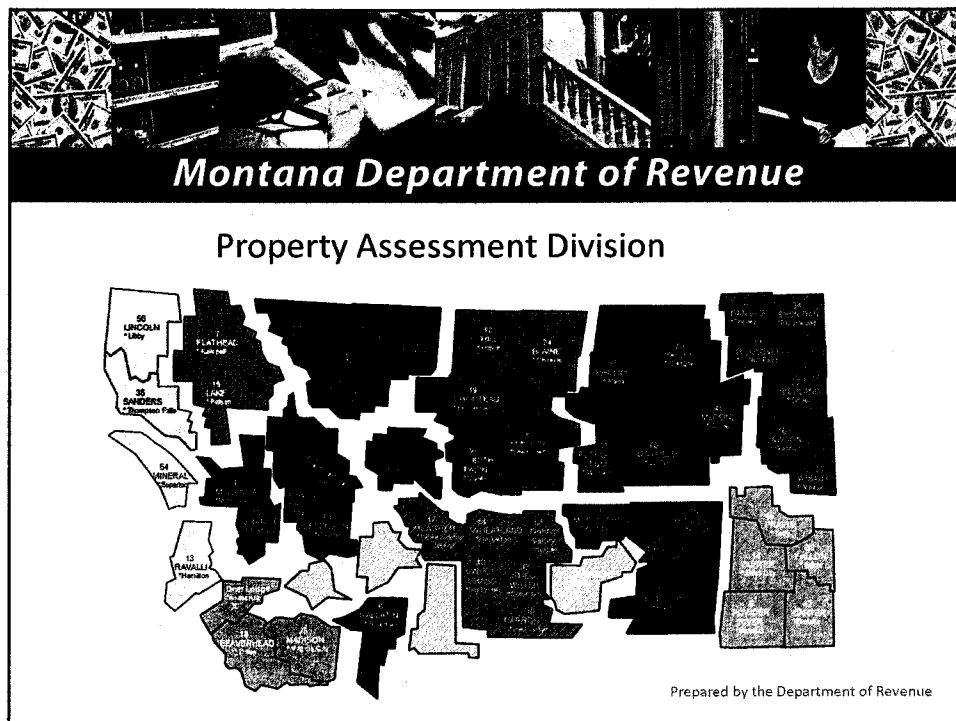
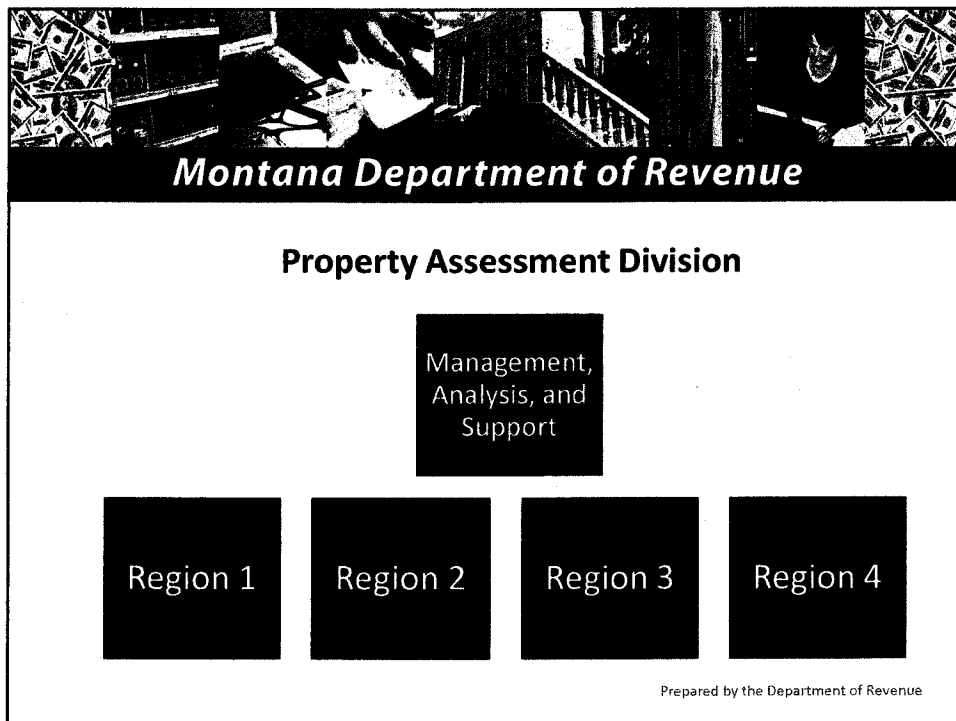
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DP 707



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Montana Department of Revenue

DOR HB2 Budget ➡ HJR2 Revenue Estimates

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